

A Strategic FP&A Framework for Indian Startups: Modelling Financial Sustainability and Growth

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Abstract

This research investigates the relevance and application of Financial Planning & Analysis (FP&A) in Indian startups. Startups often struggle with financial instability, poor forecasting, and inefficient resource allocation. The study uses primary data collected via Google Forms from 30 startup professionals and secondary research from journals and reports. The results show limited FP&A implementation despite moderate awareness. Budgeting is mainly done through Excel with minimal forecasting practices. The research proposes a practical, Excel-based FP&A model designed for startup environments, bridging the gap between complex financial systems and startup resource constraints. This framework aims to support better decision-making, funding preparedness, and sustainable growth in the Indian startup ecosystem.

This study is grounded in the belief that the financial success of a startup hinges on its ability to adapt and forecast in real time, rather than rely on reactive decisions. Indian startups face a unique blend of opportunities and risks—ranging from rapid digital adoption to funding winter cycles—which make FP&A more critical than ever. By studying both primary data from 30 startup professionals and secondary sources from credible journals and reports, this paper uncovers trends in budgeting, forecasting, and financial control practices in startups. The analysis reveals a significant awareness gap in formal FP&A frameworks, but also shows high interest among entrepreneurs in simplified Excel-based tools and scenario modelling. The research not only contributes to the literature on startup finance but also serves as a guide for startup founders who wish to embed sustainability into their business models through effective financial planning.

1. Introduction

Startups are the backbone of innovation and economic growth in India. However, despite their potential, many startups struggle with financial sustainability, cash flow management, and scaling. Financial Planning & Analysis (FP&A), a structured process used by large enterprises, can offer significant value when adapted to the startup environment. This paper explores the awareness, adoption, and scope of FP&A practices among Indian startups and proposes a simple, Excel-based FP&A framework designed for their unique needs.

While most startups begin with innovative ideas and strong product visions, the failure to embed structured financial planning into their early strategy leads many to collapse within their first five years. This is especially concerning in India, where startups are often led by first-generation entrepreneurs who may lack formal finance training. The challenge is compounded by the absence of financial mentors, scalable templates, and affordable FP&A tools designed specifically for startups.

Moreover, investors today expect data-driven forecasts, burn rate management, and well-defined strategic plans before committing funding. As a result, having a robust FP&A process isn't just an internal necessity—it's a competitive edge. The study, therefore, seeks to highlight the importance of financial literacy and offers a roadmap for startups to adopt practical, cost-effective FP&A models that align with their growth goals and funding aspirations.

2. Literature Review

Research has established the importance of FP&A in strategic decision-making. Bragg (2018) defines FP&A as a collection of budgeting, forecasting, variance analysis, and financial modelling techniques. Startups often lack structured approaches due to resource constraints, yet studies by Sharma & Tandon (2020) and reports from KPMG (2022) have shown that startups with financial control systems tend to scale more effectively and survive longer.

Government initiatives like Startup India offer support but do not include training on financial planning or forecasting. Harvard Business Review (2021) notes that modern FP&A must shift from rearview reporting to predictive and strategic functions—something startups can achieve through adaptive, low-cost models.

A study by Berman et al. (2018) emphasizes that strategic FP&A practices significantly contribute to a firm's ability to respond to market uncertainty. Another study by McKinsey (2020) reported that agile startups using rolling forecasts and scenario planning were more resilient during crises such as the COVID-19 pandemic. However, most of this research focuses on developed economies, creating a gap in context-specific literature for Indian startups.

Locally, research conducted by NASSCOM (2022) and Your Story (2023) has shown that while Indian startups are increasingly adopting accounting and ERP systems, only a small percentage have integrated full-cycle FP&A systems. This implies a need to bridge academic models with practical tools that can be implemented by early-stage ventures with limited resources. Thus, this paper's value lies in contextualizing FP&A best practices within the Indian entrepreneurial environment.

This literature review highlights the necessity and current gap in FP&A adoption among Indian startups.

3. Research Methodology

3.1 Research Design

A mixed-method, exploratory research design was employed, integrating both primary and secondary data.

3.2 Objectives

- To evaluate the financial planning practices in Indian startups.
- To assess the level of awareness about FP&A.
- To design a strategic FP&A framework suitable for Indian startups.

3.3 Data Collection

- **Primary Data:** A structured Google Form with 10 MCQs was circulated.
- **Respondents:** 30 valid responses from startup employees, founders, and finance professionals.
- **Secondary Data:** Academic journals, government reports, financial whitepapers.

3.4 Sampling Technique

Non-probability convenience sampling was used to gather relevant insights from startup ecosystem participants.

3.5 Data Analysis

Survey results were analysed using Microsoft Excel for:

- Frequency distribution
- Pie charts and bar graphs
- Percentage analysis

The methodology further included a qualitative aspect through open-ended insights gathered from a few respondents who provided suggestions beyond the MCQs. The study also reviewed published white papers and financial toolkits provided by institutions like SEBI, Startup India, and private accelerators. Ethical considerations were followed by keeping the survey anonymous and ensuring participants' data confidentiality.

For a more structured analysis, responses were tabulated, grouped by question theme, and presented in bar graphs and pie charts using Microsoft Excel. The findings from these charts helped identify trends, outliers, and inconsistencies in startup FP&A practices. A limitation of the sampling method was the lack of sector-specific segmentation, which future studies can address by categorizing startups into domains like SaaS, e-commerce, and D2C.

4. Results and Discussion

4.1 FP&A Awareness

Most respondents had heard of FP&A but had not implemented it actively, suggesting a knowledge-application gap.

4.2 Budgeting Practices

Startups commonly used Excel or Google Sheets for basic budgeting, highlighting a reliance on manual tools.

4.3 Forecasting & Planning

Only 40% practiced forecasting, signal a lack of structured planning that increases financial risk.

4.4 Financial Tools Used

While Excel dominated, only a few used accounting software like Tally or Zoho Books, pointing to limited tech adoption.

4.5 Key Challenges

Respondents cited cash flow issues, unpredictable expenses, and lack of forecasting as major financial hurdles.

4.6 Willingness to Adopt FP&A

There was high interest in adopting an Excel-based FP&A tool that is low-cost and user- friendly.

Area	Key Insight
FP&A Awareness	Moderate; implementation is low
Budgeting Tools	Excel dominates, but lacks forecasting features
Financial Forecasting	Rarely done

Common Challenges	Cash flow, planning, and budgeting
Interest in FP&A Framework	High if affordable and simple

One of the most significant findings was the inconsistency in the adoption of financial forecasting. While some respondents indicated a monthly or quarterly approach to planning, others admitted they operated without a forecast. This signals the absence of a standardized approach among startups. Additionally, while Excel remains the dominant tool, its effectiveness is diluted when not supported by structured templates or training.

A notable insight is that startup founders often underestimate the value of budgeting because of their focus on rapid scaling. However, poor budgeting is a leading cause of early-stage failure, especially in sectors like edtech and e-commerce where cash burn can escalate quickly. Furthermore, investors tend to favour startups that demonstrate a mature understanding of financial metrics such as CAC (Customer Acquisition Cost), CLTV (Customer Lifetime Value), and runway.

5. Conclusion and Future Scope

Conclusion

The study confirmed that Indian startups face significant financial planning challenges due to limited access to structured FP&A practices. A simple Excel-based FP&A model could empower startups to make informed decisions, manage cash flow, and plan growth effectively. While awareness is moderate, adoption is still nascent, and this framework fills that gap.

The study reinforces the idea that a disciplined FP&A function is not merely an accounting process but a strategic weapon for startups. Founders who implement basic but effective FP&A frameworks have greater control over their cash flow, are better prepared for funding rounds, and make smarter decisions under pressure. The research encourages incubators and academic institutions to introduce FP&A training at the grassroots level to nurture financially conscious entrepreneurs.

Future Scope

- Custom FP&A tools per industry
- Integration with cloud-based tools
- Pilot implementation across startup incubators
- Development of FP&A training modules
- Government policy suggestions for startup financial literacy

Future research can explore cross-comparative studies between Indian startups and startups from Southeast Asia or Africa to understand how regional contexts affect FP&A adoption. Additionally, the impact of AI-powered FP&A tools and SaaS-based financial planning platforms like Anaplan or Cube can be studied in Indian startup ecosystems. Lastly, a longitudinal study tracking startups over 3-5 years could provide richer insights into how FP&A maturity affects long-term survival.

6. References / Bibliography

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Author Biography:

Dhruv Singhal is an MBA student specializing in Finance and Business Analytics with a strong interest in startup finance and financial planning. His research focuses on strategic FP&A practices that support sustainable growth in emerging businesses.